Call West Communications, Inc.

701 N. St. Mary's
San Antonio, TX 78205
(210) 226-9768

RECEIVED
JUN 27 1996
FCC MAIL ROOM

Friday, June 21, 1996

Federal Communications Commission
Office of the Secretary
1919 M Street NW, Room 222
Wasington, DC 20554

RE: DOCKET NO. 96-128
FCC NO. 96-254

DOCKET FILE COPY ORIGINAL

Dear Commissioners,

Call West Communications is a small pay telephone provider located in Dallas, Texas. We currently operate 186 pay phones, mostly in Texas, but also in Kansas, New Mexico and Arizona. Two thirds of our business consists of providing pay phones in very large truck stops.

As far as I know, Call West is the only IPP in this area that has had much long-term success operating pay phones in large truck stops. Our experiences, therefore, may be somewhat different from those of other IPP's, and we may bring a little different perspective to the ongoing discussion over pay phone regulation.

Since 90% of the calls originating from our pay phones located in large truck stops are either "1-800" subscriber or dial-around "access code" calls, we believe the most important issue before us now is how IPP's are to be compensated for these calls.

More specifically, the issues that concern us most are:

1. The amount of compensation we are to be paid for "1-800" subscriber calls and dial-around "access code" calls, and

2. The bonus that AT&T will pay IPP's that agree to route all of their operator service calls to AT&T. We believe this practice to be anti-competitive and that it will prove to be very costly to consumers.

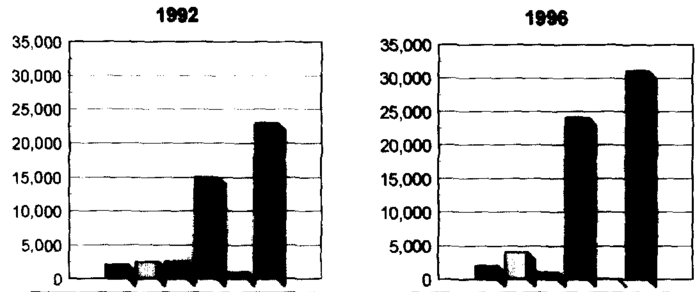
Starving to Death in the Land of Plenty: Call West has seen the usage of its pay phones increase precipitously over the past years. As you can see by looking

No. of Copies rec'd 0+9
List ABCDE CCB

at Figure 1, the number of calls placed from our pay phones in a typical truck stop has increased dramatically, from 23,000 calls/month in 1992 to over 31,000 calls/month in 1996.

The value of those calls has also increased significantly. Figure 2 shows what we estimate the retail value of the calls placed from our pay phones in a typical truck stop to be. As you can see, the amount has increased from some $47,000/month in 1992 to $51,000/month in 1996.

Figure 1.
Pay Phone Usage has Increased Dramatically Over the Past Four Years
Number of calls/month placed from Call West's Pay Phones in a Typical Truck Stop



1992

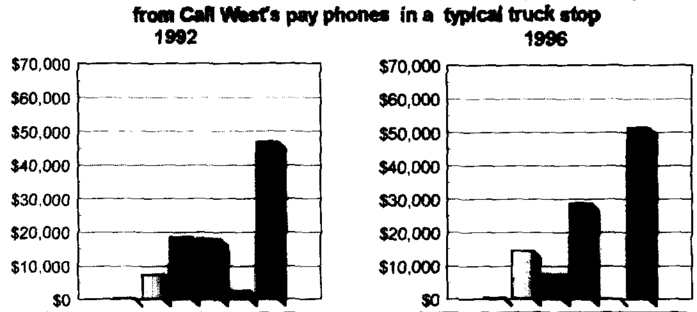
Local	2,000
Dial-around to AT&T	2,500
Call West 0+	2,500
"1-800"	15,000
Coin Sent LD	1,000
Total	23,000

1996

Local	2,000
Dial-around to AT&T	4,000
Call West 0+	1,000
"1-800"	24,000
Coin Sent LD	40
Total	31,040

Call West, unfortunately, has not participated in any of this bounty. Even though the number of calls placed from Call West's phones has soared, and the retail value of those calls has likewise grown, Call West's share of the revenue pie has plummeted. In 1992, Call West garnered some 45% of the revenues that resulted from the sale of phone calls from its pay phones. By 1996, this figure had dwindled to 17% (See Figure 3). In terms of absolute dollars, this meant that Call West's revenues from its pay phones in the

Figure 2.
The Value of the Calls Sold from Call West's Pay Phones has Increased Over the Past Four Years
Estimated revenues/month resulting from the sale of phone calls placed from Call West's pay phones in a typical truck stop



1992

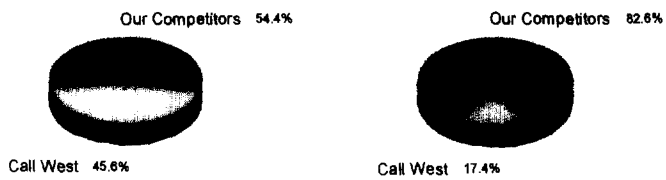
Local	$500
Dial-around to AT&T	$7,500
Call West 0+	$18,400
"1-800"	$18,000
Coin Sent LD	$2,500
TOTAL	$46,900

1996

Local	$500
Dial-around to AT&T	$14,600
Call West 0+	$7,350
"1-800"	$28,800
Coin Sent LD	$100
Total	$51,350

typical truck stop had fallen from some $21,000/month in 1992 to $9,000/month in 1996 (See Figure 4).

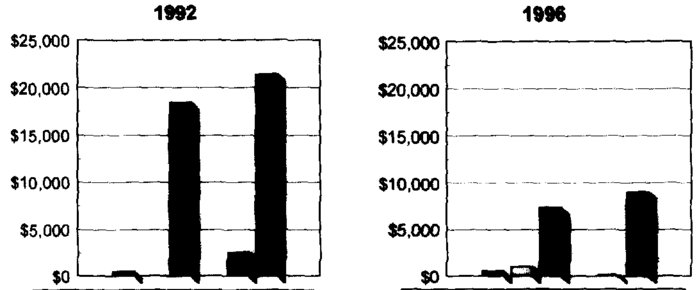
Figure 3.
Call West's Share of the Revenue Pie Generated by Its Pay Phones has Plummeted



No relationship exists between the number of calls sold from Call West's pay phones and Call West's revenues, nor between the value of the services sold from Call West's pay phones and Call West's revenues (See Figures 5 & 6). The bottom line is that truck drivers have altered their dialing behavior to take advantage of the lower rates that free, or essentially free, access has made possible (See Figure 7).

When we founded Call West in 1989, I was actually naive enough to believe that if Call West charged rates for operator services comparable to those charged by AT&T, that the truck drivers would not dial around. And at first Call West priced its calls at or near AT&T rates. (I of course can produce billing records to document this claim.)

Figure 4.
The Amount of Revenue Call West Realizes from the Sale of Calls from Its Pay Phones has Plummeted
Call West's revenues/month from the pay phones in a typical truck stop



1992

Local	$500
Dial-around to AT&T	$0
Call West 0+	$18,400
"1-800"	$0
Coin Sent LD	$2,500
TOTAL	$21,400

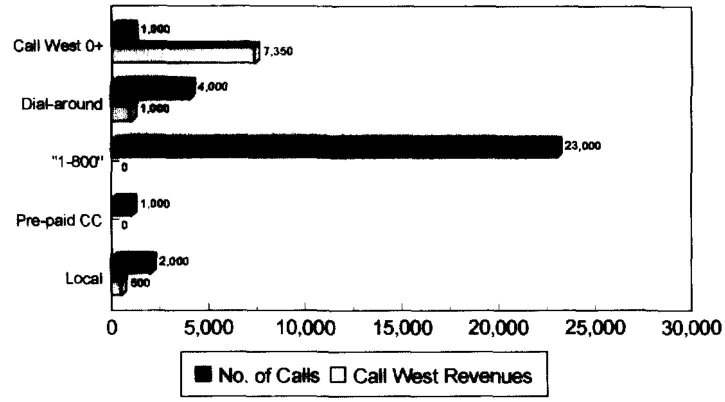
1996

Local	$500
Dial-around to AT&T	$1,000
Call West 0+	$7,350
"1-800"	$0
Coin Send LD	$100
Total	$8,950

We soon learned, however, that there was something afoot much bigger than Call West and its handful of pay phones. Call West suffered from the stigma created by

OSP's like International Telecharge, and by large IPP's like Cherokee Communications, that sold calls for rates far in excess of AT&T's. In the truck driver's mind, the situation became dichotomous, or, to put it simply, there were only two operator service providers--AT&T was one and everybody else was lumped together as the other.

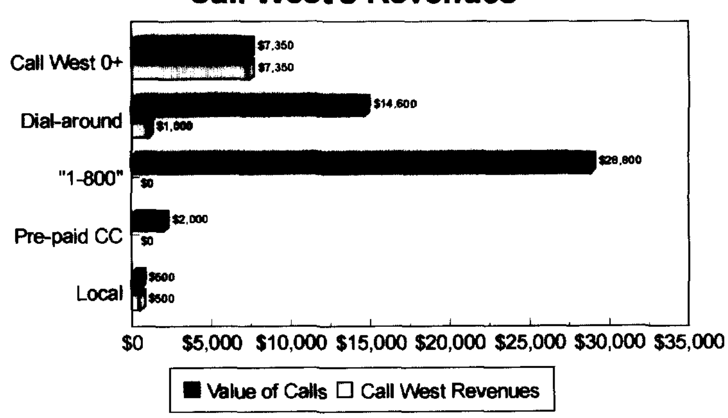
Exhibit 5.
There is No Relationship between the Number of Calls Sold from Call West's Pay Phones and Call West's Revenues
88% of Call West's Revenues Now Come from Less than 4% of the Calls Placed from Its Phones



So it made little difference how we priced our calls. Call West suffered from the stigma created by other OSP's and IPP's, our traffic continued to plunge regardless of how we priced our calls (See Figure 8), and by 1993 we had just about abandoned the practice of trying to price calls at or near AT&T rates. There simply was no long-range economic incentive for us to continue to do so, and besides, we had a substantial investment in time and equipment that we needed to try to recoup.

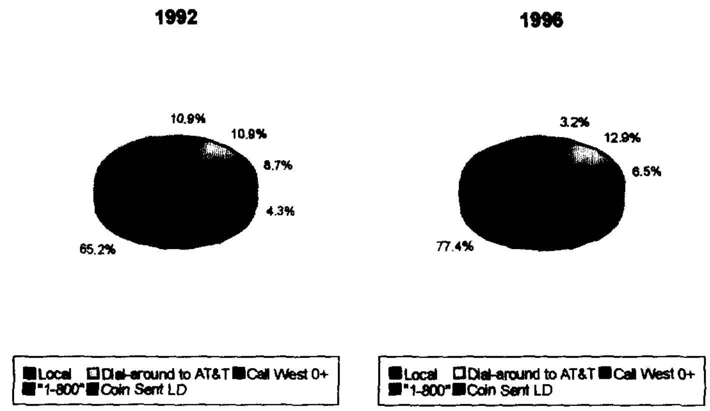
All of this of course placed the entire burden of paying for the placement and operation of our pay phones on the unsuspecting and the information poor--those who didn't know to

Figure 6.
There is No Relationship between the Value of the Calls Sold from Call West's Pay Phones and Call West's Revenues



dial-around--and I will leave it to you to speculate as to what parts of the society disproportionately fall into that category.

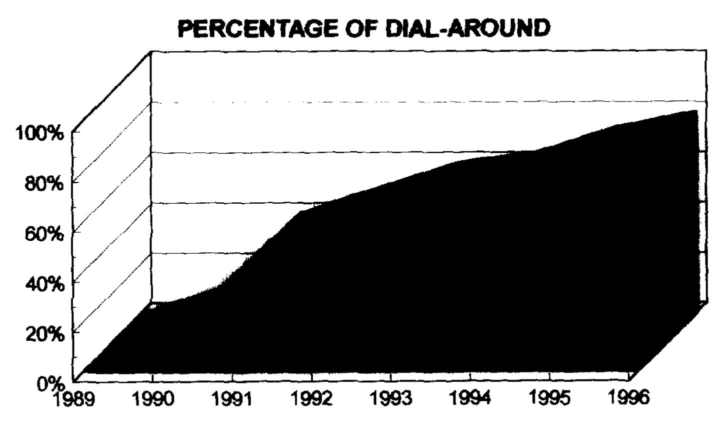
Figure 7.
The Percentage of Calls that are Revenue Calls for Call West has Fallen Precipitously in the Typical Truck Stop
Truck drivers have altered their dialing behavior to take advantage of the lower rates made possible by free access



My personal feelings are that I have become very bitter against both the Federal Communications Commission, which has coerced us to provide access to our competitor's networks from our pay phones without devising a fair and equitable compensation scheme, and the majority of OSP's and IPP's, who have engaged in business practices which I consider to be opportunistic and shortsighted.

Southwestern Bell and US West have also certainly exhibited their share of despicable behavior. I will never forget when we installed our phones in the Union 76 Truck Stop in Albuquerque, New Mexico, in 1993. The convenience phones in the restaurant were all labeled with AT&T stickers and paraphernalia and Dennis Maupin, the general manager, was certain the phones belonged to AT&T. The collusion between AT&T and US West, in fact, had been so complete that, when the phones needed repair, he had always called AT&T

Figure 8.
Dial-around Has Increased Steadily Over the Past Eight Years Regardless of How We Priced Our Calls
From 1989 to 1993 We Priced Our Calls At or Near AT&T Rates
Beginning in 1993, We Increased the Price of Our Calls to Twice AT&T Rates



and they would in turn call US West. But when we went to have the phones removed, we learned that they belonged to US West.

We discovered an identical symbiotic relationship existed between AT&T and Southwestern Bell when we called to have the "AT&T" phones removed from the Union 76 Truck Stop in El Paso, Texas later that year. Dick Forsburg, the general manager there, had likewise been deceived into believing that the convenience phones belonged to AT&T.

So US West and Southwestern Bell have abused the rate-payer base to no end. They have unscrupulously colluded with AT&T to burden people like my 80-year-old mother, who probably hasn't used a pay phone in the last 15 years, with the enormous losses incurred in providing "AT&T's" pay telephone service.

Probably the most egregious transgression I saw an IPP commit was Southwest Pay Telephones, who had the pay phones in the Wes-T Go Truck Stop in Abiline, Texas. Southwest Pay Telephones had its phones labeled with AT&T stickers, saying that the calls from the phones were handled and priced by AT&T. But in reality, the calls were being handled via Southwest's store and forward devices, and the calls were priced at a multiple of AT&T's rates. I brought this matter to the attention of an AT&T representative, and I filed a written complaint with the FCC, but the practice continued unabated.

And as for the FCC, it has shown itself to be little more than the handmaiden of AT&T. According to the Center for Public Integrity, AT&T contributed more than $400,000 in cash and other support to help pay for the Democratic National Convention in New York City in 1992. That same year, AT&T contributed $450,000 in cash and in kind contributions to the Republican convention in Houston, Texas. (Charles Lewis, Alejandro Benes, Meredith O'Brien and the Center for Public Integrity, *The Buying of the President*, Avon Books, 1996, pp. 30 & 32)

And of course for all that money the FCC is at AT&T's beck and call. The current situation for IPP's , where we are coerced to handle our competitor's calls with no fair and equitable mechanism to compensate us, would be no different from forcing a Texaco station to pump Exxon gas for free. How long do you think the Texaco station could stay in business under such circumstances? Do you believe Texaco could stay price competitive with Exxon, if Exxon was getting its gas pumped for free? Do you believe this situation would be tolerated for 15 seconds in that market?

And yet this is exactly the situation we currently find ourselves facing with AT&T, who gets its calls handled for free, or essentially for free, from our pay phones.

And the FCC has implemented and overseen this whole, brazenly corrupt and unjust regulatory scheme.

I know of no other reason for the FCC to operate in such an unprincipled and unethical manner other than sheer patronage politics. Michael Lind, writing in *The Next American Nation*, says that the "bias toward the rich embodied in American campaign finance practices makes a mockery of America's democratic ideas." I agree totally, and I also agree when he writes that "future generations will look back on the practice of buying access and votes from politicians by means of campaign contributions with the same amazement, horror, and disgust with which we regard the poll tax, the selling of exemptions from the draft to the sons of wealthy families during the height of the Civil War, or the college-student exemption to the Vietnam draft."

It is not my purpose, however, to attempt to defeat or humiliate the FCC, or even to pay it back for injustices that it has heaped upon us in the past. We are all part of a huge system that is much bigger than any of us, and there is certainly plenty of blame to go around for everybody. My purpose here is to merely seek justice.

A just and fair price for the services we render. In the typical truck stop, Call West currently handles approximately 28,000 calls per month for the benefit of its competitors. I say competitors because that is exactly what they are. Prepaid calling cards are in direct competition with our coin-sent calls, "1-800" calls are in direct competition with our operator service calls, and of course other operator service providers' calls are in direct competition with our operator service calls. The calls that Call West handles each month for its competitors in the typical truck stop have an estimated retail sales value of $43,400.

Call West should receive compensation of no less than 20% of the value of the calls sold from its phones. This would work out to $0.31 per call, and this figure should be net to Call West after all collection and administrative expenses are deducted.

The 20% figure is consistent with current commissions paid by AT&T to those truck stops that pre subscribe their LEC phones to AT&T, so there is plenty of industry precedence for paying commissions at the 20% level.

All calls, whether they be "1-800" subscriber or "access code" operator service, are essentially in competition with each other, are hawked in the marketplace as such (I have quite a collection of sales brochures for "1-800" subscriber calls that show how much cheaper they are than operator service calls), and should be compensated at the same level.

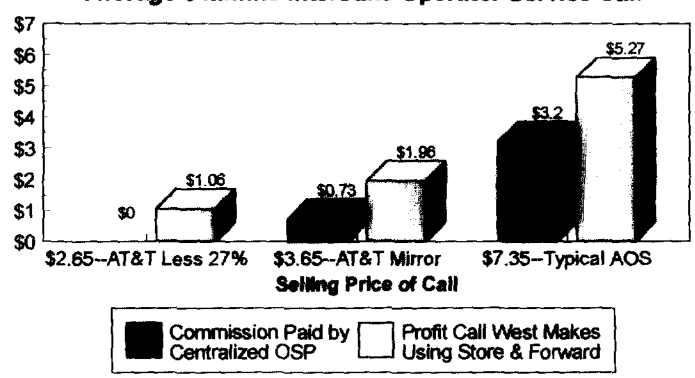
AT&T's practice of paying a bonus to those who route all operator service calls to AT&T is anti-competitive. AT&T will currently pay commissions of 20% or more on operator service calls, but only to those who agree to route all their operator assisted calls to AT&T.

This practice sounds harmless enough, but it is in fact anti-competitive and will lead to much higher prices for consumers.

Call West provides operator services via "store-and-forward" (S&F) devices that are located on the truck stop premises. S&F devices perform operator assistance functions, such as the collection of billing information, at the truck stop location itself, without the involvement of centralized operator service facilities at a different location.

S&F is apparently an extremely cost efficient way of providing operator services, because the amount Call West can make by providing operator services via S&F is far greater than the commissions that a centralized facility provider will pay. Figure 1 illustrates this by giving a comparison of what Call West makes on the typical 8 minute interstate call, handled via S&F, vs. the commissions a centralized facility operator service provider will pay if the call is routed to it. (It should be noted that Call West is not involved in that expensive Intellicall deal where the IPP pays a 10% royalty off the top plus is locked into all of Intellicall's billing and collection services. Nevertheless, Call West is an extremely small company and has no economy of scale or volume purchasing power. A company with some size could make much more per call than Call West does)

FIGURE 9.
Comparison of the Amount of Money Call West Makes on an Operator Service Call
Store & Forward vs. Centralized Operator Service Provider
Average 8 Minute Interstate Operator Service Call



As you can see, Call West can sell the average 8 minute interstate call that originates in a truck stop for $2.65, a full $1.00 less than AT&T's average rate. It can place the bill for this call on the customer's monthly LEC bill, something that seems to be almost a necessity for most consumers. And it can still make $1.06 on that call, considerably more than the $0.73 commission AT&T would pay.

So it would seem that everyone benefits in this scenario. The consumer gets to make his call for $1.00 less. Call West makes $1.06, as opposed to the $0.73 it would make routing the call to AT&T, and everybody engaged in the transaction is happy.

But here's the rub. In order for Call West to offer the discounted rate, it loses the $0.73 per call commission that AT&T pays under the condition, and only under the condition, that Call West routes 100% of its calls to AT&T. That means that instead of making $0.73 per call on the remaining 80% of operator service calls that Call West currently does not handle--that are dialed-around to AT&T--it would make only $0.25 per call on those calls, the amount currently mandated by the FCC.

So here are what the figures look like:

	Cost to Consumer	Net to Call West
Use S&F and Offer Discounted Rates:		
1 Call Handled by Call West via S&F	$ 2.65	$ 1.06
4 Calls Handled by AT&T	$ 14.60	$ 1.00
Total Offering Discounted Rates	$ 17.25	$ 2.06
Route All Calls to AT&T:		
5 Calls Handled by AT&T	$ 18.25	$ 3.65
Total Not Offering Discounted Rates	$ 18.25	$ 3.65

So Call West would actually pay an economic penalty for selling 20% of its calls for $1.00 less than AT&T rates, even though Call West would make more on those specific calls than it would if it routed them to AT&T.

The bottom line is that the FCC, if it does not address this issue, will have written into law a macro system that will discourage and essentially eliminate the use of what is currently the most innovative and cost-effective way to provide LEC-billed operator services. AT&T--the high-cost provider in this particular case--will be the big winner, because it will in essence have been awarded a monopoly, a monopoly institutionalized by law. And consumers will pay a very, very dear price for the AT&T monopoly.

I heard on the news the other day that Frito-Lay is being sued for engaging in anti-competitive practices. The suit alleges that Frito-Lay was paying grocers for empty shelves--paying them if they would not stock other manufacturers' products that were in competition with Frito-Lay's. I do not see a bit of difference between what AT&T is doing and what it is alleged that Frito-Lay is doing.

The practice of paying a retailer for no other reason than to keep a competitor's product off the shelf is evidently illegal. Congress certainly held to that principle when it mandated in TOCSSCIA that IPP's, who were at that time the high-cost providers competing for locations by offering high commissions to premise owners, must allow access from their pay phones to their competitors' lower-cost services. So AT&T, now that it is confronted with the prospect of being the high-cost provider, by an even measure of justice should also not be allowed to pay bonuses to keep its competitors' lower-priced products from consumers.

The FCC should establish a regulatory framework, and a way of compensating us for the calls made from our pay phones, that encourages innovation and price competition instead of a re-monopolization of the business by AT&T.

Sincerely yours,

Glenn Stehle